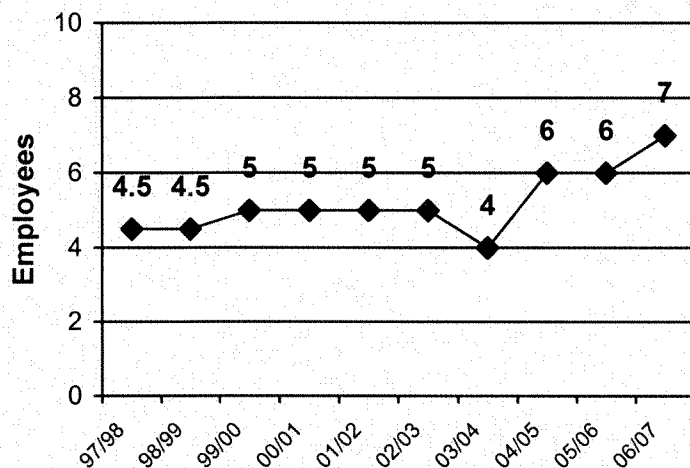


**MISSION STATEMENT**

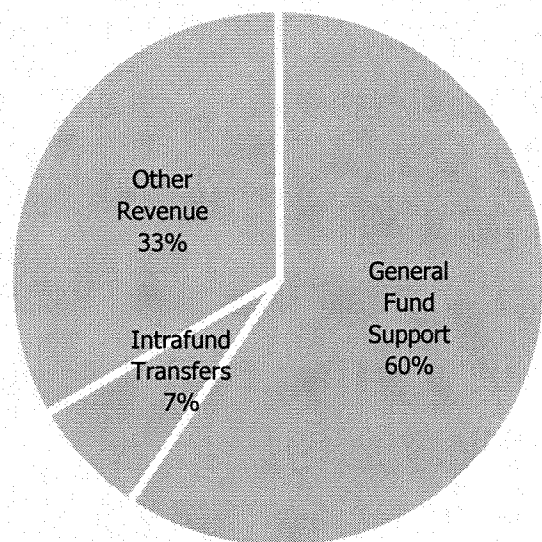
To provide high quality insurance, safety and employee benefit services at the lowest possible cost to the taxpayer.

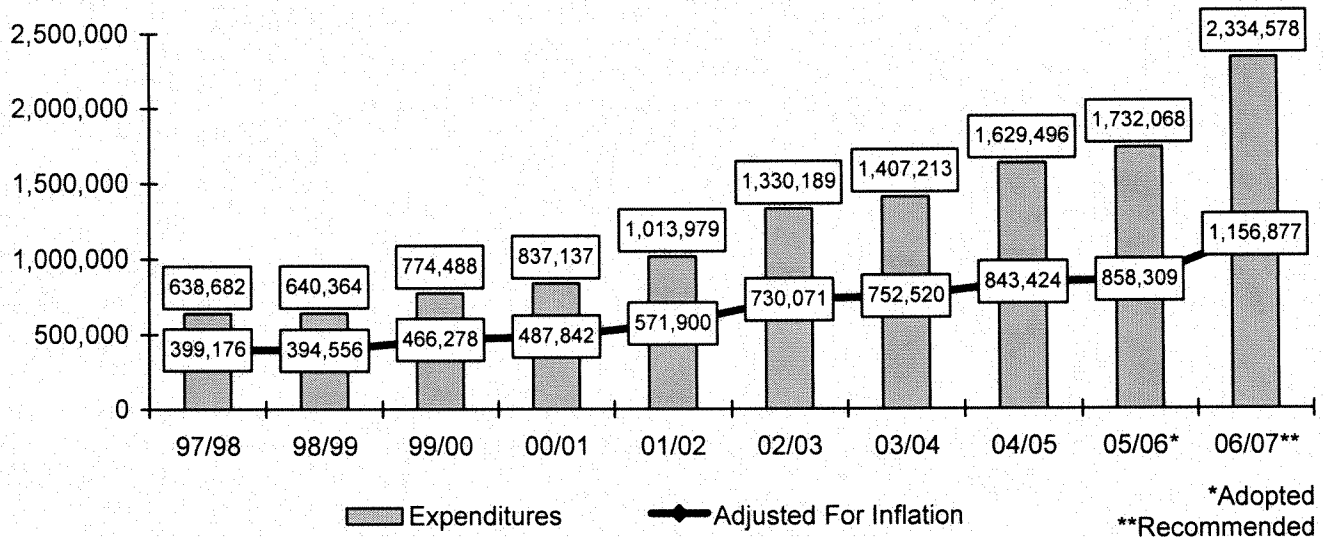
<u>Financial Summary</u>	<u>2005-06 Budget</u>	<u>2005-06 Projected</u>	<u>2006-07 Requested</u>	<u>2006-07 Recommended</u>	<u>Change From 2005-06</u>
Revenues	\$ 705,995	\$ 844,015	\$ 780,925	\$ 780,925	\$ 74,930
Salary and Benefits	631,982	656,000	783,287	783,287	151,305
Services and Supplies	1,100,086	1,159,669	1,551,291	1,551,291	451,205
Fixed Assets	0	100,000	0	0	0
<b>**Gross Expenditures</b>	<b>\$ 1,732,068</b>	<b>\$ 1,915,669</b>	<b>\$ 2,334,578</b>	<b>\$ 2,334,578</b>	<b>\$ 602,510</b>
Less Intrafund Transfers	48,273	48,273	168,170	168,170	119,897
<b>**Net Expenditures</b>	<b>\$ 1,683,795</b>	<b>\$ 1,867,396</b>	<b>\$ 2,166,408</b>	<b>\$ 2,166,408</b>	<b>\$ 482,613</b>
General Fund Support (G.F.S.)	\$ 977,800	\$ 1,023,381	\$ 1,385,483	\$ 1,385,483	\$ 407,683

**Number of Employees**  
(Full Time Equivalent)



**Source of Funds**



**10 Year Expenditures Adjusted For Inflation****SERVICE PROGRAMS****Employee Benefits**

Provide high quality employee benefit administration services (e.g., health, life, ITS, etc.) to active employees and retirees.

Total Expenditures: \$919,955 Total Staffing (FTE): 1.20

**Risk Management**

Secure cost effective insurance coverage levels for the County, implement industry standard transfer of risk policies to protect the County from unnecessary risk, provide advice to departments on insurance matters, issue insurance certificates, process all County-initiated insurance claims, and perform risk analyses.

Total Expenditures: \$703,582 Total Staffing (FTE): 0.64

**Safety**

Cost effectively implement programs that ensure a safe work environment, reduce work-related employee injuries, and minimize the costs associated with Workers' Compensation.

Total Expenditures: \$157,824 Total Staffing (FTE): 1.25

**Liability**

Effectively manage the Liability Program by resolving all tort claims efficiently and fairly while minimizing costs to the taxpayer.

Total Expenditures: \$209,034 Total Staffing (FTE): .73

**Workers' Compensation**

Effectively manage the Workers' Compensation Program by processing all claims efficiently, fairly and in accordance with the law.

Total Expenditures: \$225,933 Total Staffing (FTE): 2.35

**Human Resources**

Represents the portion of Risk Management's budget that is allocated to support the Human Resources Department.

Total Expenditures: \$118,250 Total Staffing (FTE): 0.83

**DEPARTMENT COMMENTS**

Over the past three years, Risk Management has been rebuilding and strengthening its core programs – Workers' Compensation, Safety, Liability and Employee Benefits. These efforts are now yielding notable results relative to internal business improvements and financial innovation, particularly in Workers' Comp and Safety:

- **Workers' Comp:** Through a combination of redesigning old processes, implementing new programs, and taking full advantage of legislative reforms, the County's total liabilities for Workers' Comp (i.e., the total value of all claims) have fallen from a high of nearly \$27 million in June of 2004 to \$10.9 million through December 2005. These savings allowed the County to reduce 2006-07 Workers' Compensation charges by **\$1.6 million**. The County should enjoy even greater reductions in rates come 2007-08 (and beyond) as the full impact of program changes and legislative reforms take effect.
- **Safety:** As a result of revitalizing the Safety Commission and implementing a state-of-the-art automated Safety Program, total work related injuries have declined from 214 in calendar year 2004 to 139 in calendar year 2005. The 139 figure translates into 5.3 injuries per 100 employees; a rate comparable to the private sector and well below the average for state and local government agencies. Fewer injuries mean a safer working environment for employees, higher productivity through reduced lost days, and lower Workers' Comp costs as demonstrated above.

In the area of customer service, Risk Management continues to enhance its intranet site. To date, questions, policies/procedures, forms, etc. can be obtained on the intranet site for almost all Safety, Workers' Comp and Employee Benefits Programs. Information on risk management issues, liability issues and insurance requirements will be available by summer 2006. Creating a full service intranet site allows departments to access time critical risk management information at their convenience, as well as, after regular business hours (which is often necessary for our 24/7 operations).

As to the future, the 2006-07 budget request includes a reorganization proposal to consolidate Risk Management with Personnel and create a Human Resources (HR) Department effective July 1, 2006. Key elements of the reorganization include creation of a Deputy HR Director, reclassification of all the analyst in both fund centers to the Human Resources Analyst career series, the addition of one HR Analyst in the Risk Management fund center, and the transfer of the Employee University Program (and associated staff) to the Administrative Office. The reorganization will allow the new HR Department to focus on further strengthening core programs – a key desire of county departments. See the fund center 112 for more detailed information on the reorganization.

**COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS**

Risk Management's 2006-07 budget recommendation contains funding for the reorganization proposal described above. For more detailed information on the reorganization, please see the County Administrator's Comments and Recommendations in Fund Center 112 – Human Resources (formerly Personnel).

At the recommended level of funding, general fund support for Risk Management will increase by almost \$408,000 over 2005-06 levels. The increase is due to the following issues:

- **Retiree Health Insurance Contributions:** Retiree health insurance contributions will increase by \$201,000 or 41% over 2005-06 levels. More retirees, coupled with higher health insurance contributions (mandated by PERS for non-management employees and approved by the Board for management employees), are the basis for this additional expense.
- **Reorganization:** The salary accounts are \$151,000 higher than 2005-06 levels primarily due to the expenses associated with the reorganization. Specifically, the recommendation includes funding to create a Deputy HR Director position that will augment the HR Department's management team and assist with strengthening core HR services. Further, the Principal Administrative Analyst position that currently oversees Risk Management will be exchanged for a less costly HR Analyst position. The new HR Analyst will handle insurance responsibilities previously performed by the Principal Analyst and take on personnel tasks. Oversight of Risk Management staff will be transferred to the new Deputy position. The reorganization also accounts for the increases in the intra-fund transfer accounts. Costs for one-half of the Deputy position and one-third of the HR Analyst position have been charged to Fund Center 112 – HR to more properly account for these expenses.

- **Insurance Premiums:** Insurance premiums for our non-self insured insurance programs (e.g., property, crime bond, pollution liability, etc.) will increase by almost \$170,000 or 32% in 2006-07. Property insurance is the primary driver behind the increase and it is more costly for two reasons: 1) the property insurance market is still hard (i.e., rates are still increasing due to events like Katrina and the state of the economy), and 2) we added the new Government Center and No. Co. Regional Center to the property schedule.
- **Insurance Charges:** Risk Management's insurance charges will increase by \$45,000. This represents Risk Management's share of the liability rate increase that will bring financial stability to the liability fund.

The revenue accounts are up 10% or almost \$75,000. The increase is due to higher reimbursements from non-general fund departments for property insurance charges and higher reimbursements from the ISF for staffing costs due to the expenses associated with the reorganization.

Please note, due to timing, the Risk Management Analyst and Principal Administrative Analyst classifications recommended for deletion will need to remain on the position allocation list for a short period while the department executes the personnel changes contained in the reorganization. Once this process is complete, these classifications will be formally deleted from the position allocation list.

### **GOALS AND PERFORMANCE MEASURES**

**Department Goal:** To cost-effectively manage the employee benefit programs (health, life, tax savings, etc.) for County employees and retirees.

**Communitywide Result Link:** A well-governed community.

**1. Performance Measure:** Percentage of payroll coordinators that rate the services provided by the Benefits Coordinator as above satisfactory or better.

01-02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Adopted	05-06 Projected Results	06-07 Target
New Measure	New Measure	100%	95%	100%	100%	100%

**What:** In the spring of each year, Risk Management conducts a survey of all payroll coordinators to determine their level of satisfaction with the quality of service provided by the Benefits Coordinator. The survey addresses the following critical service areas: timeliness, accuracy, responsiveness, and trustworthiness of information.

**Why:** The Benefits Coordinator is responsible for educating County payroll coordinators on all aspects of employee benefits. The payroll coordinators, in turn, are responsible for disseminating this information to county employees so they can make informed benefit decisions. Regularly surveying our key customers allows us to gauge the quality of our services and make program improvements as needed.

**How are we doing?** It's our goal to get our satisfaction rating back up to 100% this year. Based upon the success of our most recent open enrollment, we have every reason to believe we will.

**Department Goal:** To promote a safe work environment for county employees.

**Communitywide Result Link:** A safe community and a well-governed community.

**2. Performance Measure:** Rate of work-related illnesses/injuries per 100 employees as compared to other state and local government agencies in California.

01/02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	04-05 Adopted	05-06 Projected Results	06-07 Target
1.9	10.3	9.5	7.1	8.5	5.3	5.3

**What:** This tracks the number of employee illnesses/injuries per 100 employees in comparison to other state and local government agencies in California. Please note that this measure was modified beginning in 2002/03 to include data on illnesses and injuries -- as opposed to just injuries in the past. By collecting both injury and illness data, we can compare ourselves to statewide average data prepared by the Department of Industrial Relations.

**Why:** This measure helps to track the effectiveness of our Safety Program.

**How are we doing?** At 5.3 injuries per 100 employees; the County's illness/injury rate is comparable to the private sector and well below the average for state and local government agencies.

**3. Performance Measure: Annual number of serious employee work-related injuries (i.e., death, loss of limb or consciousness, overnight hospitalization, etc.) as defined by CAL/OSHA.**

01-02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Adopted	05-06 Projected Results	06-07 Target
1	0	1	0	0	0	0

**What:** The number of employees who experience a serious work-related injury.

**Why:** The Federal and State Occupational Safety and Health Act (OSHA) requires reporting of all serious work-related injuries which they define as death, loss of consciousness/limb, overnight hospitalization, etc. This measure helps track the effectiveness of our Safety Program.

**How are we doing?** Very well; the County has not had a serious work injury (as defined by OSHA) since 2003-04.

**4. Performance Measure: Number of "lost days" due to workplace injury.**

01-02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Adopted	05-06 Projected Results	06-07 Target
Data not available	Data not available	2,777	814	4,000	715	686

**What:** This represents the total number of days that employees are absent during the year due to work-related injuries.

**Why:** This measure helps to track the effectiveness of our Safety and Workers' Comp Programs.

**How are we doing?** In December of 2003, we discovered the system we had in place to track lost days had been inaccurately calculating this figure since the inception of the performance measurement program. Therefore, we did not have accurate baseline data from which to project prior year targets (thus the 2005-06 adopted target of 4,000 lost days). We now have an accurate data collection system in place, and use the 2003-04 actual results as our baseline for lost days. As you can see, the County has made tremendous progress in reducing lost days. We project that by the end of 2005-06, the rate will decline by over 2,000 days from 2003-04 levels. We attribute our success in this area to implementation of a Return to Work Program in mid 2004-05. This program brings injured employees back to light duty jobs while they recover from injuries. This saves in temporary disability expenses and increases productivity.

**Department Goal:** To effectively administer the County's Liability Insurance Program.

**Communitywide Result Link:** A well-governed community.

**5. Performance Measure: Number of liability claims filed, per million dollars of payroll.**

01-02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Adopted	05-06 Projected Results	06-07 Target
1.15/CSAC Excess Insurance Authority member counties' average was 1.22	1.20/CSAC Excess Insurance Authority member counties' average was 1.20	.88/CSAC Excess Insurance Authority member counties' average was 1.18	.75/CSAC Excess Insurance Authority member counties' average is 1.04	Better than the CSAC Excess Insurance Authority member counties' average	.83/CSAC Excess Insurance Authority member counties' average is 1.18	Better than the CSAC Excess Insurance Authority member counties' average

**What:** This represents an "apples to apples" way of comparing the number of liability claims filed against local California governments.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** Relative to claims frequency, the County's liability program is in good shape. Based on our November 2005 actuarial, our claim frequency is projected to increase slightly for 2005-06, but is well below the CSAC-EIA member counties' average.

**6. Performance Measure: Average dollar loss/liability claim.**

01-02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Adopted	05-06 Projected Results	06-07 Target
\$6,250/CSAC Excess Insurance Authority member counties' average was \$6,450	\$7,900/CSAC Excess Insurance Authority member counties' average was \$6,890	\$9,100/CSAC Excess Insurance Authority member counties' average was \$6,710	\$9,352/CSAC Excess Insurance Authority member counties' average is \$5,900	Better than the CSAC Excess Insurance Authority member counties' average	\$8,740/CSAC Excess Insurance Authority member counties' average is \$6,710	Better than the CSAC Excess Insurance Authority member counties' average

**What:** This provides an indication of how much money is being spent on average for liability claims.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** The good news is, based on the November 2005 actuarial, our average loss per claim is projected to fall to \$8,740 (down from the prior year level of \$9,352) for 2005-06. We still, however, exceed the CSAC-EIA member counties' average by over \$2,000. This is due to the maturation/settlement of several serious claims from the 2002-03 and 2003-04 accident years.

**7. Performance Measure: Dollars of loss per \$100 of payroll for liability claims.**

01-02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Adopted	05-06 Projected Results	06-07 Target
.70/CSAC Excess Insurance Authority member counties' average was .75	.80/CSAC Excess Insurance Authority member counties' average was .78	.78/CSAC Excess Insurance Authority member counties' average was .76	.70/CSAC Excess Insurance Authority member counties' average is .65	Better than the CSAC Excess Insurance Authority member counties' average	.72/CSAC Excess Insurance Authority member counties' average is .76	Better than the CSAC Excess Insurance Authority member counties' average

**What:** Provides an indication of the total liability dollars spent as a percentage of the County's payroll.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** Based on the November 2005 actuarial, the County's loss rate per \$100 payroll is projected to be slightly lower than the CSAC-EIA member counties' average.

**Department Goal:** Provide Workers' Compensation benefits to County employees and administer the program to comply with mandated state regulations.

**Communitywide Result Link:** A well-governed community.

**8. Performance Measure: Dollars of loss per \$100 of payroll for Workers' Compensation claims.**

01-02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Adopted	05-06 Projected Results	06-07 Target
\$2.40/CSAC Excess Insurance Authority member counties' average was \$3.00	\$2.95/CSAC Excess Insurance Authority member counties' average was \$3.33	\$3.40/CSAC Excess Insurance Authority member counties' average was \$3.80	\$3.75/CSAC Excess Insurance Authority member counties' average is \$4.20	Better than the CSAC Excess Insurance Authority member counties' average	\$2.65/CSAC Excess Insurance Authority member counties' average is \$3.09	Better than the CSAC Excess Insurance Authority member counties' average

**What:** Provides an "apples to apples" comparison of Workers' Compensation claims volume to other counties statewide.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** State reforms to Workers' Comp, coupled with local efforts to overhaul our program, are beginning to pay off. Based on our November 2005 actuarial, the County has reduced its loss rate per \$100 of payroll by \$1.10 from 2004-05 levels. We expect this figure to go even lower in 2006-07 as our safety and cost control efforts further mature. Please note, based on the timing of the annual actuarial, the actual results are always reported a year in arrears. For example, the 2005-06 projected results represent 2004-05 actual results.

**9. Performance Measure: Number of Workers' Compensation claims per \$1 million of payroll.**

01-02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Adopted	05-06 Projected Results	06-07 Target
2.75/CSAC Excess Insurance Authority member counties' average was 3.3	2.55/CSAC Excess Insurance Authority member counties' average was 3.4	2.30/CSAC Excess Insurance Authority member counties' average was 3.47	2.10/CSAC Excess Insurance Authority member counties' average is 3.20	Better than the CSAC Excess Insurance Authority member counties' average	1.90/CSAC Excess Insurance Authority member counties' average is 2.89	Better than the CSAC Excess Insurance Authority member counties' average

**What:** An "apples to apples" comparison to other counties statewide of the number of Workers' Compensation claims filed.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** State reforms to Workers' Comp, coupled with local efforts to overhaul our program, are beginning to pay off. Based on our November 2005 actuarial, the County has reduced its claim rate per \$1 million of payroll by .20 from 2004-05 levels. We expect this figure to go even lower in 2006-07 as our safety and cost control efforts further mature. Please note, based on the timing of the annual actuarial, the actual results are always reported a year in arrears. For example, the 2005-06 projected results represent 2004-05 actual results.

**10. Performance Measure: Average dollars loss per Workers' Compensation claim.**

01-02 Actual Results	02-03 Actual Results	03-04 Actual Results	04-05 Actual Results	05-06 Adopted	05-06 Projected Results	06-07 Target
\$8,640/CSAC Excess Insurance Authority member counties' average was \$7,600	\$11,500/CSAC Excess Insurance Authority member counties' average was \$8,570	\$14,000/CSAC Excess Insurance Authority member counties' average was \$9,985	\$17,864/CSAC Excess Insurance Authority member counties' average was \$12,850	Better than the CSAC Excess Insurance Authority member counties' average	\$13,900/CSAC Excess Insurance Authority member counties' average was \$10,107	Better than the CSAC Excess Insurance Authority member counties' average

**What:** Comparing the average actual dollar amount of claims.

**Why:** Indicates how San Luis Obispo County compares to other counties as determined by the County's actuary.

**How are we doing?** State reforms to Workers' Comp, coupled with local efforts to overhaul our program, are beginning to pay off. Based on our November 2005 actuarial, the County has reduced its average loss per claim rate by almost \$4,000 from 2004-05 levels. We expect this figure to go even lower in 2006-07 as our safety and cost control efforts further mature. Please note, based on the timing of the annual actuarial, the actual results are always reported a year in arrears. For example, the 2005-06 projected results represent 2004-05 actual results.